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UNITED NATIONS POPULATION FUND

ESTIMATES FOR THE BIENNIAL SUPPORT BUDGET FOR 2010-2011

Report of the Advisory Committee on Administrative and Budgetary Questions

1. The Advisory Committee on Administrative and Budgetary Questions has considered the report of the Executive Director of the United Nations Population Fund on the estimates for the biennial support budget for 2010-2011 (DP/FPA/2009/10). During its consideration of the report the Advisory Committee met with the Executive Director and other representatives, who provided additional information and clarification.

I. BUDGET FORMAT AND PRESENTATION

2. The Committee recalls that the UNFPA strategic plan, as contained in DP/FPA/2007/17 and endorsed by the Executive Board in its decision 2007/40, provides the framework for UNFPA programming, management and accountability for the period 2008-2011. In its decision 2009/16, the Executive Board further extended the strategic plan through 2013. The Committee notes that the biennial support budget 2010-2011 contained in DP/FPA/2009/10 is presented using the results-based budgeting methodology, linking it to the management results framework outlined in the strategic plan. The nine management outputs in the UNFPA strategic plan for 2008-2013 constitute the management results framework used; they are listed in paragraph 12 of the report (DP/FPA/2009/10). Sixteen budget functions further link the biennial support budget to the management results framework of the strategic plan, following the harmonized definition agreed by UNDP, UNFPA and UNICEF.

3. The Committee notes that efforts have been made to reduce the number of results, indicators and targets, using key indicators from the strategic plan and office management plans for each budget function. Further increasing the harmonization efforts, UNFPA, along with UNDP and UNICEF, has agreed to include one common result for each of the 16 budget

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functions in the presentation, with organization-specific indicators. As stated in annex I of the report (DP/FPA/2009/10), this is in response to Executive Board decision 2009/3, which indicated the need to achieve efficiency and effectiveness in reporting practices and application of lessons learned from the implementation of the 2008-2009 results framework. **The Advisory Committee welcomes the improvements to the presentation and encourages further collaboration in order to better coordinate and further improve the harmonization of the results-based presentation of the three entities. The budget's focus on expected management results and the linkage between inputs and results could be strengthened.**

4. In its previous report (DP/FPA/2008/2), the Advisory Committee recommended that in order to ensure greater budgetary transparency it was important to include information on post and non-post changes. **While the Committee welcomes the additional summary table now included in the report (see summary table 3), as agreed by UNFPA with UNDP and UNICEF, it is of the opinion that summarized information should also be provided explaining the reasons for the variances, including an explanation of whether they are attributed to volume or nominal/statutory changes. The Committee is also of the view that future presentations should include information on management results achieved in the context of the previous budget, as well as information on past financial performance, in a format similar to that of the resource plan.**

II. ESTIMATES FOR 2010-2011

5. The Committee notes from table 1 that total income is expected to increase from $1,263 million in 2008-2009 to $1,400 million for the biennium 2010-2011, an increase of 10.8 per cent. Of this total, $950 million is from regular resources (an increase of 10.1 per cent) and $450 million is from other resources (an increase of 12.5 per cent). The Committee also notes that UNFPA bases the total income estimates on latest 2008-2009 income estimates and pledges ($1,446 million). The estimated income for 2010-2011 is $46 million lower than the current 2008-2009 income level. The Committee was informed that the projected income for 2010-2011 is reasonable, especially considering the wide donor base and multi-year pledges received. Information in this regard is provided in paragraphs 19 to 21 of the report.

6. An analysis of table 1 reveals that the estimated total expenditure on programmes ($1,190.9 million) constitutes 80.3 per cent of the total estimated resources in 2010-2011, as compared to estimated expenditure for 2008-2009 ($1,038.4 million), which constitutes 77.7 per cent of total resources.

7. The biennial support budget for 2010-2011 amounts to $274.5 million gross ($236.3 million net), reflecting a gross increase of $14.7 million, or 5.7 per cent, as compared to the support budget for 2008-2009 of $259.8 million gross ($235.8 million net). The proportionate share of the budget to the total use of resources decreased from 19.4 per cent to 18.5 per cent. **The Committee encourages UNFPA to continue its scrutiny of programme support costs in order to ensure a higher allocation of funds to programmes.**

8. The Committee notes the progressive growth in the importance of other resources, both as a percentage of total contributions and programme expenditures. For 2010-2011, for example,

other resources are expected to account for 32.1 per cent of contributions and 41.8 per cent of programme expenditures. The Committee also observes that programme support continues to be charged primarily to regular resources, although the share of programme support attributed to other resources has increased in the recent past. **The Committee recommends that the basis for apportioning costs between regular and other resources be kept under review to ensure that the arrangements are not a disincentive for donors to contribute regular resources. It is recommended that the results of such reviews be incorporated into future biennial support budgets.**

9. As indicated in paragraph 3 of the budget document, the principles underlying the 2010-2011 budget proposal are the following:

- Use of realistic income estimates, taking into account actual income levels and global economic uncertainties;
- Expansion of resources available for programmes, despite statutory cost increases;
- Negative real growth of the budget, notwithstanding increased demands for management excellence in the areas, inter alia, of oversight and accountability and support to programmes;
- Achievement of efficiency gains, where possible, without negatively affecting programme delivery;
- Greater focus on field versus headquarters requirements;
- Continuing leverage for the use of common and shared services, both at headquarters and in the field;
- Strengthening the links and further aligning the strategic plan management results framework with the 16 budget functions and results in the budget;
- Further harmonization with UNDP and UNICEF in the areas of results-based budgeting.

10. The Committee notes that increase of $14.7 million, or 5.7 per cent, in the budget for 2010-2011 reflects statutory cost increases of $19.6 million, or 7.6 per cent, beyond the control of UNFPA, offset in part by volume decreases of $4.9 million, or 1.9 per cent. The main areas of increase and decrease are shown in table 2 of the support budget document and explained in paragraphs 41 to 52 (DP/FPA/2009/10). The cost increase of $19.6 million is mostly related to post-related costs, including salary-scale revisions, within grade salary increments and other post entitlements determined by the ICSC, as well as after-service health insurance ($14.2 million). The remaining cost increases are due to operating cost adjustments resulting from inflationary and currency adjustments ($5.4 million).

11. The volume decrease of $4.9 million mostly relates to reductions imposed under various expenditure categories to absorb part of the statutory cost increases. These reductions are reflected under consultants (53.9 per cent volume decrease), travel (14.2 per cent volume decrease), operating expenses (5.3 per cent volume decrease), furniture and equipment (21.2 per cent volume decrease) and insurance and security (19 per cent volume decrease) (see DP/FPA/2009/10, summary table 3 and paragraph 4 above).

12. Table 3 of the budget document summarizes the budget proposal using the 16 budget functions. The Committee notes that the majority of the funds are reflected in function 4

(Programme guidance, management and oversight), which accounts for $82.8 million; function 2 (Representation and advancement of core mandate), which accounts for $65.6 million and function 10 (Financial management), which accounts for $24 million.

13. The Advisory Committee recalls that the Executive Board, in its decision 2008/6 approved resources amounting to $28.4 million for the one-time costs of the UNFPA reorganization of its structure. The Committee recalls that the highlights of the reorganization were the establishment of five regional and six sub-regional offices and their transfer to the respective regions, as well as the establishment of the Programme Division and Technical Division at headquarters. In addition, country offices were strengthened through addition of new posts and realignment of current posts, as well as strengthened internal audit, security coordination and headquarters support. Paragraphs 36 and 37 of the report (DP/FPA/2009/10) provide information in this regard.

14. The Committee notes that savings of $4 million were achieved primarily in the human resources area, in view of lower estimated costs for staff terminations. The approved one-time costs of reorganization are therefore proposed to be reduced to $24.4 million, as reflected in table 1 of the budget document (DP/FPA/2009/10), for 2008-2009. The Committee also notes that UNFPA expects to consolidate the new structure in 2010-2011 and that, as indicated in the budget report, no changes are proposed. The full biennium impact of the recurring costs associated with the new organizational structure amounts to a net increase of $3.2 million for 2010-2011 and is described in paragraph 44 and table 2. It consists of the increases in post and operational costs for a full biennium in the field ($8 million), offset by corresponding decreases at headquarters of $4.8 million.

15. The Committee was informed, at the time of its hearings, of a change in course regarding the Regional Office for Eastern Europe and Central Asia (due to relocate to Bratislava by the end of 2009). In June 2009, UNFPA was informed by the Government of Slovakia that it would no longer be able to host the regional office in Bratislava. After a comparison and analysis of recurring resources, UNFPA has decided that the Office will continue operating from New York for the 2010-2011 biennium, in order to ensure business continuity and delivery of programme support. The Committee was informed that the analysis showed that UNFPA would be able to absorb the resulting changes within the proposed budget. The increased standard post costs for New York compared to Bratislava will be offset by a freeze on hiring two local posts, which will not be required in the New York office. In terms of operational costs, the additional cost related to office space in New York is expected to be offset by the expected compensation from the Government of Slovakia. **The Advisory Committee encourages UNFPA to continue its efforts to find another host for the Regional Office for Eastern Europe and Central Asia, based on a sound cost-benefit analysis.**

16. For 2010-2011, UNFPA indicates it is proposing minimal post changes consistent with the consolidation of the existing structure. The total number of posts proposed of 1,125 includes 920 field posts and 205 posts at headquarters, as compared to 1,119 posts approved for 2008-2009, including 918 in the field and 201 at headquarters. Of the 920 field posts, 748, or 81.3 per cent, are local posts and 172, or 18.7 per cent, are international professional posts. No changes in senior level posts are proposed. Upon enquiry, the Committee was provided with a more detailed

and expanded organizational chart which is attached below. The net increase of six new posts is the result of eight new posts proposed and the abolition of 2 posts, (see DP/FPA/2009/10, table 1 and para. 46). The additional posts are as follows:

- One International Operations Manager (P-3) post, Ethiopia, Africa (offset by the abolition of one Operations Manager (National Officer) post;
- One Operations Manager (National Officer), Bangladesh, Asia and the Pacific (offset by the abolition of one International Operations Manager (P-3) post);
- Four posts at headquarters, pursuant to General Assembly resolution 63/250 on human resources management, two Information and Communications Technology Specialists (1 P-4, 1 P-3) and one Information and Communications Technology Associate (G-7), Management Information Services, Headquarters; as well as one Information and Communications Technology Specialist (P-3), Procurement Services, Copenhagen, Denmark;
- Two Security Associate posts (G-6) to strengthen security functions in the Arab States Regional Office and the Africa Regional Office.

17. The Committee further notes that 10 reclassifications are proposed: five reclassifications at headquarters and five in the field (six upward and four downward). The Committee was provided with the following summary of the 10 reclassifications proposed:

Division	Country/Branch	Type of post change	Grade 2008-2009	Grade 2010-2011	Title	Number of posts 2008-2009	Number of posts 2010-2011
Africa Region	Cameroon - Yaounde	Upgrade	NOC	NOD	Programme Specialist	1	1
	Swaziland - Mbabane	Downgrade	NOD	NOC	Assistant Representative	1	1
		Upgrade	NOB	NOC	National Programme Officer	1	1
	Tanzania - Dar-es-Salaam	Downgrade	NOD	NOC	Assistant Representative	1	1
Africa Region Total						4	4
Arab States Region	Iraq - Baghdad	Upgrade	G5	G6	Personal Assistant to Representative	1	1
Arab States Region Total						1	1
DHR	Planning and Policy Branch	Downgrade	G6	G5	Legal Assistant	1	1
		Upgrade	G5	G6	Human Resources Assistant	1	1
DHR Total						2	2
DMS	Management Information Services	Downgrade	P4	P3	ICT Specialist	1	1
		Upgrade	P4	P5	Chief, Reporting and Analytics	1	1
	Procurement Services Branch	Upgrade	G4	G5	Procurement Assistant	1	1
DMS Total						3	3
Grand Total						**10**	**10**

18. **The Advisory Committee recommends acceptance of the proposed post changes, including the reclassifications proposed for 2010-2011. The Committee also recommends that an expanded organizational chart be included in future biennial support budgets that reflects posts funded through the biennial support budget by Division, Office, Branch. It should also note proposed post changes.**

19. In addition to the biennial support budget appropriation, the Committee notes that UNFPA proposes to set aside resources for the continuation of the development and

implementation of the enterprise resource planning system and the international public sector accounting standards ($5.7 million); requirements related to the security reserve ($5.8 million); and relocation of headquarters premises ($5.9 million).

20. The Committee notes that Atlas development requirements, as indicated in paragraph 26 of the report (DP/FPA/2009/10), amount to $4.2 million. Taking into account the estimated amount available at the end of 2009 of $1.3 million, the net additional requirement for the biennium 2010-2011 would amount to $2.9 million. Information is provided in annex 1 of the report as to efficiencies obtained and expected to be continued in future. The Committee also notes that UNFPA will continue its phased approach in adopting IPSAS standards and that it expects to be fully compliant with IPSAS by the end of 2012. The requirements for the biennium 2010-2011, which amount to $3.7 million, are described in paragraph 27 of the report. Taking into account the estimated available resources of $0.9 million by the end of 2009, the net additional requirements amount to $2.8 million.

21. The Committee recalls that a security reserve was approved by the Executive Board in its decision 2004/27, which has been replenished in subsequent bienniums. As shown in table 1 of the report, an amount of $7.4 million was approved for the 2008-2009 biennium for the security reserve. Requirements for 2010-2011 amount to $10.6 million. This includes the UNFPA apportioned share of the United Nations Department of Safety and Security costs of $5.7 million; investments necessary to ensure compliance with minimum operating security standards in field offices and headquarters, as well as minimum operating residential security standards of $4.1 million; and requirements of $0.8 million related to adjustments to UNFPA security capacity in response to regional, subregional and country offices needs, in particular, the establishment of two additional security adviser posts. Taking into account the estimated existing amount of $4.8 million available at the end of 2009, the net additional requirements for the biennium 2010-2011 would amount to $5.8 million.

22. UNFPA is proposing to set aside an amount of $5.9 million for the relocation of its headquarters premises, the lease of which is to expire by 31 December 2010. Information is provided in paragraphs 31 to 34 of the report (DP/FPA/2009/10). The Committee notes that the amount constitutes one-time estimated costs of setting up the new headquarters premises, as adjustments are expected to be required for the new premises, and for moving from the existing location. The Committee was informed that UNFPA was looking at different options and planned to undertake a detailed cost analysis to ensure good, if not better, conditions.

23. The Committee notes that the estimated amount of indirect cost recovery is included in the additional resources column in table 1 ($38.3 million). For the biennium 2010-2011, projected cost recovery to be credited to the budget is estimated at $31.8 million; the remaining $6.5 million relates to income tax reimbursement, which is also credited to the budget (DP/FPA/2009/10, para. 39). **The Committee is of the opinion that there is a need for further examination of the cost-recovery methodology applied for attributing the variable indirect costs of activities. In this connection, the Committee notes that harmonized cost definitions have been agreed by UNDP, UNFPA and UNICEF, and that discussions continue, aimed at achieving greater consistency in the classification of costs in order to attribute them in a transparent manner** (see DP/2009/3, paras. 24-28).

ANNEX
UNFPA proposed organizational chart 2010-2011